

Amid Strike Fears, a Yeltsin Challenge

By Michael Dobbs
Washington Post Service
MOSCOW — As Soviet newspapers warned of possible railroad strikes, legislators impatient with the slow pace of economic improvement elected Boris N. Yeltsin, ousted from the leadership for demanding faster change, and four others to head a "progressive faction" in parliament.

The formation of what is called the Interregional Group to press for faster change marks the emergence for the first time in the Soviet Union of what amounts to a loyal opposition in parliament. It comes at a time as President

Mikhail S. Gorbachev is under increasing political pressure from a wave of strikes and ethnic violence and disorders. Rather than appoint a single leader, the "progressive" deputies decided to elect a five-member collective leadership that will include Andrei D. Sakharov, the human rights advocate, and Yuri F. Afanasyev, a historian critical of past Soviet repression and secrecy.

The post of what is called "prime chairman" of the 300-strong group will rotate annually. Mr. Yeltsin, who has won a large following among the Soviet people because of his attacks on Communist Party privileges and corruption, topped the poll with 92 percent of the vote. He will hold the post of chairman until next year, when he will be succeeded by Mr. Afanasyev, who came in second.

Speakers at the two-day meeting of the Interregional Group criticized Mr. Gorbachev for slow economic and social improvement and for failing to break with Communist Party conservatives. They also expressed concern that Mr. Gorbachev's *perestroika* program of restructuring the economy and political system could be threatened by rail and other strikes.

Both the Communist Party newspaper Pravda and the government paper Izvestia carried warnings Sunday about the possibility of "chaos" and "catastrophe" in the event of a rail strike, which is being considered for Aug. 1. Such a strike possibility was first publicly mentioned by Mr. Gorbachev in a speech last week in which he called on striking coal miners to return to work. Any significant disruption of the Soviet Union's huge rail network, the backbone of the country's transportation system, could cause enormous economic damage. It could also undermine the political position of Mr. Gorbachev and others who staked much of their prestige on persuading the miners to go back to work.

The railway workers hold the fate of practically the entire country in their hands, said Pravda, adding that a strike by railway workers could shut down much of Soviet industry. Most bulk cargo in this country of inadequate roads goes by rail. There have been warnings that

new strikes could play into the hands of ideological conservatives. "This is a dangerous situation," said Sergei Stankevich, a deputy from Moscow. "If strikes spread to crucial industries like the railways, Moscow can't survive without the railways for more than a few days — this could be a pretext for putting a stop to the democratic process."

A rail worker from the Far East who belongs to the radical bloc of deputies, Anatoli Markovich, also warned that strikes "could be turned against democracy and against our group."

In the Donetsk region of the Ukraine, where striking coal miners returned to work last week after extracting 5.5 billion rubles (\$8.5 billion) in promises from the government, the miners are reported to have appealed to railway workers not to strike.

Izvestia quoted a first deputy rail minister, Vladimir Ginko, as saying that strike calls had been posted along the Donetsk Railway and near the Byelorussian city of Vitebsk. Pravda said that debates had been going on among railway workers in the Leningrad region about the possibility of striking.

A Threat To Hang Hostage

Shiites Say Israel Must Free Cleric To Save American

By Nora Boustany
Washington Post Service
BEIRUT — A pro-Iranian extremist group threatened Sunday to hang Lieutenant Colonel William R. Higgins of the U.S. Marines on Monday unless Israel freed a cleric and two associates seized by commandos.

The Organization of the Oppressed on Earth warned, in a statement typewritten in Arabic and delivered to the offices of a Western news agency: "The spy Higgins will be executed by hanging at 3 P.M. sharp Monday afternoon if the struggling cleric Abdul Karim Obeid and his two brothers are not released ahead of that deadline."

Sheikh Obeid, 36, and two aides were seized by Israeli commandos at the cleric's home in the village of Jibchit on Friday after the raiders stormed the house. Reacting to the threat to kill Colonel Higgins, the United States warned Sunday that the kidnappers would be held "fully responsible" for his safety and that of other American hostages.

The White House statement said in part: "We expect those who have influence with the hostage holders to do everything possible to ensure that no harm comes to those hostages or other Americans." In Paris, a State Department spokeswoman, Margaret D. Tutwiler, said Secretary of State James A. Baker 3d discussed Colonel Higgins' situation at a meeting with the UN secretary-general, Javier Perez de Cuellar. Both men are in Paris attending a 19-nation conference on Cambodia. "It is outrageous and uncivilized that he should have been taken hostage in the first place," Mrs. Tutwiler said of Colonel Higgins. "It is equally outrageous to threaten to kill him."

She called the threat "an affront to the entire civilized community." Israeli officials described Sheikh Obeid as a leading figure in the Hezbollah, or Party of God, in southern Lebanon. He is believed to have masterminded a number of kidnappings, including that of Colonel Higgins, on Feb. 17, 1988. The colonel, who had been serving with the UN Truce Supervision Organization, was seized by gunmen on his way back from a meeting with a Shiite commander of the moderate Amal movement in the southern port city of Tyre.

His kidnapping sparked heavy fighting between Amal and Hezbollah in southern Lebanon and Beirut in April and May 1988. Sheikh Obeid had publicly approved the kidnapping, accusing Colonel Higgins of spying for the Central Intelligence Agency. The Amal chief Nabih Berri, who has just returned from a visit to Tehran for a reconciliation with Hezbollah this month, has lashed out at Israel for seizing a cleric from inside Lebanese territory. Jibchit, previously a Hezbollah stronghold, has been under Amal control since spring 1988. President George Bush indirectly criticized the Israeli action, saying he was not sure how it could lead to the eventual release of Colonel Higgins. Western diplomatic sources have said in recent months that they were uncertain whether the colonel was alive. These have

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Ali Akbar Mohtashemi, Iran's interior minister, warning Sunday of reprisals for the abduction.

Chernobyl: 100,000 More Evacuees Are Possible

By Francis X. Clines
New York Times Service

MOSCOW — New revisions of the aftermath of the Chernobyl nuclear power disaster indicate that 100,000 more people may have to be evacuated because of the persistent risk of lethal radiation, according to local officials who are pressing the Kremlin for more aid.

Such an evacuation, if acceded to by the national government, would

mean a doubling of the relocations that followed the nuclear reactor explosion at the Chernobyl plant in 1986, when 31 people died.

Officials of the Byelorussian Republic raised the possibility in turning to Moscow for the equivalent of an additional \$16 billion in disaster aid, the official news agency Tass reported on Saturday.

Provincial and national authorities have been disputing the risk

and costs of history's worst nuclear disaster, and the new evacuation estimate from Byelorussian officials is the severest yet. The meltdown already has cost the government an estimated \$12.8 billion, including the cost of enclosing the ruptured reactor in steel and concrete.

Despite the government's earlier confident predictions of containment, Tass said scientists employed by the republic reported subse-

quent tests have shown that decontamination measures have failed "to lower background radiation to safe levels" in more than 100 villages in the regions of Mogilev and Gomel. Some are as far as 325 kilometers (about 200 miles) from the sealed reactor at Chernobyl, where three other nuclear reactors continue in operation.

"Many people have already left their homes," Tass reported. "The fate of 423 other localities is to be

decided later as the situation there requires additional study."

The Tass dispatch from Minsk was brief, but clearly suggested that the scope of Chernobyl's threat to the immediate populace could prove far greater than the government has so far conceded. It reported that the Byelorussian parliament had received warnings from scientists that more prudent mea-

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Kiosk

Chilean Voting Begins Slowly

SANTIAGO (AP) — Chileans turned out slowly Sunday to vote on a series of democratic constitutional revisions, including legalizing Marxism and reducing presidential powers. Passage appeared assured, with the military government of President Augusto Pinochet and the opposition urging approval of the 54 changes to the military-drafted constitution.

5 Die in U.S. Crash

ALLENTOWN, Pennsylvania (AP) — Two small planes collided in flight near a small airport where an air show was being held Sunday, killing five to five persons, authorities said. It appeared that no one on the ground was hurt.

MONDAY Q&A



Allan Wendt of the State Department defends U.S. policy on high-technology exports to the East. Page 2.

Cambodia Meeting Approaches Accord

By Don Oberdorfer and Elizabeth Becker
Washington Post Service

PARIS — Key nations of East and West moved toward a consensus on peacekeeping arrangements for a postwar Cambodia on Sunday, but the battling Cambodian factions showed no sign of compromise on a political settlement to the war.

"The occupation should end. The violence should end," said Secretary of State James A. Baker 3d at the opening of the International Conference on Cambodia. The conference is expected to last a month. Mr. Baker said that a dramatic easing of global tensions presented an opportunity to resolve the Cambodian conflict, but that "any actions we might take to help Cambodia must be based on the will of the Cambodian parties themselves to move forward."

A senior aide to Mr. Baker said that all parties seemed to be converging on a UN role in peacekeeping and that everyone had agreed on "the need to have Vietnam pull out and stay out."

The Vietnamese have pledged to withdraw all troops from Cambodia by Sept. 27. But the U.S. official said that forging a deal on domestic power-sharing after the Vietnamese pull-out was proving more difficult. The role of the Khmer Rouge guerrilla movement, which has been blamed for more than two million deaths during its 1975 to 1978 rule, is the chief obstacle to an agreement. At the conference, the Khmer Rouge delegation sat next to leaders of the Soviet- and Vietnamese-backed Phnom Penh government. Also at the table was the former Cambodian head of state, Prince

Norodom Sihanouk, who leads a coalition that includes the Khmer Rouge, and the noncommunist Son Sann.

Among the other participants were the Soviet Union, China, France, Britain, Japan and members of the Association of South East Asian Nations.

Mr. Baker was seated next to Foreign Minister Qian Qichen of China, but did not talk with him, according to aides.

The major international players spoke of the importance of an accord among the Cambodians that would make a peace settlement stable and successful in the long run.

As in the past, Prince Sihanouk called for including the Khmer Rouge in a four-party "government of national union." He said that the Khmer Rouge would "respect completely and always the outcome of the forthcoming free general elections under international supervision" that are envisioned in Cambodia.

Prime Minister Hun Sen of Cambodia said that including the Khmer Rouge in a government would trigger a full-scale civil war. Mr. Baker said that "the United States strongly believes that the Khmer Rouge should play no role in Cambodia's future." But he said the United States was prepared to support Prince Sihanouk's call for inclusion of the Khmer Rouge in an interim regime.

Suggesting that the Khmer Rouge role be minimized, Mr. Baker said that the strength of U.S. support for a future Cambodian government would "directly and inversely depend on the extent of Khmer Rouge participation."

Mr. Baker also said that the United States "cannot accept a 'review' of its policy."

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Senna Gains in Auto Racing's Friendly Rivalry
Ayrton Senna of Brazil giving the thumbs up sign after winning the German Grand Prix Sunday in Hockenheim, West Germany. Senna passed his McLaren-Honda teammate, Alain Prost of France, left, with only two laps to go. Page 12.

Door Ajar, Bush Opens Up Policy-Making to Aides

By David Hoffman and Ann Devroy
Washington Post Service

WASHINGTON — When Treasury Secretary Nicholas F. Brady was preparing this spring to unveil his plan to reduce Third World debt, he skirted some of the usual channels and took it directly to President George Bush.

"If I get something I think is going to make a big difference to him, I tell him about it," Mr. Brady said.

When the secretary of veterans affairs, Edward J. Dewinski, decided not to appeal a role in the government in the 1940s — that it had a great deal of work to do to define its vision.

"It's like the old adage about a beggar being given a horse," said Masao Kunihira, a DoI adviser. "Everyone is bewildered and nonplussed by these developments."

The Japanese people also are confused. Are they for the Socialist Party? Well, they are and they are not.

Although the Liberal Democrats continue to control the government, the Socialists are generally

policy adviser, Roger B. Porter, to fashion the compromise that became the basis for his decision.

These instances indicate that various roads have led to important decisions in the first six months of the Bush presidency. So far, Mr. Bush appears to be an executive who eschews doing business in a rigidly methodical way; instead he seems to encourage his aides to reach him any way they can.

For now, Mr. Bush is not inclined to impose discipline on his brood, associates

said. Particularly in domestic policy, cabinet members say they feel he has given them wide latitude — as long as they do not stray from his overall goals. "It's a kinder, gentler White House" than during the Reagan period, said a senior White House official who had first-hand experience with the Reagan cabinet.

Mr. Bush has put an emphasis on a group of senior cabinet members with whom he has

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Some Japanese Fear a Shift to the Left, but Bureaucrats Fear Nothing

Election Victory of the Socialist Party Creates Tremors

By Steven R. Weisman
New York Times Service

TOKYO — Would Asia's greatest bulwark of anti-communism consider dismantling its military forces? Could a nation renowned as the world's greatest private-enterprise success story turn socialist?

Those questions raced through Japan after the Japan Socialist Party triumphed over the governing Liberal Democratic Party in voting a week ago. That outcome has forced the nation to ponder the applicability of many longtime policies, including

the advocacy of a socialist state and unilateral disarmament.

The questions brought some immediate answers, including a pledge from the Japan Socialist Party not to seek radical reductions in military spending but rather to "review" a steady growth.

In addition, Takako Doi, the party leader, said that the party was less interested in nationalizing private industries than in cleaning up the government, and less interested in ending military cooperation with the United States than in ensuring foreign policy continuity.

But the party came under enormous new pressure to further clarify its views, especially after an election campaign in which it referred hardly at all to the Socialist goals in its platform and almost exclusively to what it called the shortcomings of the Liberal Democrats.

The outcome in voting for the upper house of parliament, was interpreted as negative, a protest against a sales tax, corruption, farm policies associated with the ruling party and charges that former Prime Minister Sosuke Uno was involved with geishas.

Some people close to Miss Doi agreed that the party was so stunned by its success — it last had a role in the government in the 1940s — that it had a great deal of work to do to define its vision. "It's like the old adage about a beggar being given a horse," said Masao Kunihira, a DoI adviser. "Everyone is bewildered and nonplussed by these developments."

Powerful Civil Servants Are True Managers of Nation

By Paul Blustein
Washington Post Service

TOKYO — An anecdote in a newspaper here illustrates one of the significant differences between Japan and many other countries: bureaucrats in Japan are held in admiration and awe that their counterparts elsewhere can only dream of.

In the anecdote, a politician in the ruling Liberal Democratic Party was voicing his frustration over the severe setback the party suffered a week ago in the election for the upper house of parliament.

Perhaps, he fumed, the LDP should simply hand over control of the government to the Japan Socialist Party. Surely, the Socialists would make such a mess of things that they would be driven from office within six months.

A colleague chided him: Don't talk crazy. The bureaucracy's ability to make wise decisions, he said, had enabled even stupid LDP politicians to govern Japan successfully. So the bureaucrats could make the Socialists successful, too.

As the anecdote suggests, Japan's bureaucracy is powerful. And

it is sure to play an important role as "the nation" enters a period of political instability after decades of one-party domination.

Rarely has the bureaucracy seemed so crucial to keeping the nation functioning as it does now, with the Liberal Democratic Party badly weakened and many of the party's top figures hobbled by scandal.

The civil service must fill a "power vacuum," said Robert Orr, a political scientist at Temple University. See BUREAUCRATS, Page 6

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For U.S., Cocom Remains a High-Tech Defense

Allan Wendi, head of strategic technology policy at the State Department, is in charge of U.S. policy in Cocom, the 17-nation coordinating committee that controls Western high-technology exports to the East bloc. He talked in Paris to Reginald Dale, economics correspondent for the International Herald Tribune.

Q. With East-West tensions easing, and the Soviet Union apparently posing less of a military threat, isn't it time to relax controls on Western technology exports to the East?

A. We don't see it that way. When you evaluate the Soviet threat from the standpoint of protecting militarily sensitive goods and technology, you look at the actual state of the Soviet armed forces and their capabilities.

What we've heard so far are mostly declarations of intention on the part of the Soviet Union about force cuts, about moving to the doctrine of reasonable sufficiency. Fine. But it hasn't happened yet and we don't really know what we'll end up with.

They can pull 10,000 tanks out of the line and put 5,000 new tanks in, with greater firepower than the tanks that were origi-

nally there. I'm not suggesting that's what they will do. So far we haven't really faced concrete steps.

But we do know that they continue to churn out planes, tanks and artillery pieces

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out of all proportion to any conceivable legitimate need for self-defense.

Q. If the cuts are made, they might want to get hold of better Western technology to improve the quality of their remaining forces?

A. Exactly. They will seek to make their remaining conventional forces more effective, and the only way they can really do that is through technology. And they don't have the technology. They're going to have to try to get it from the West — legally or illegally.

Q. What sort of technology is it that they're most interested in getting from the West, which is at the moment controlled by Cocom?

A. Semiconductor manufacturing equipment, sophisticated machine tools, telecommunications equipment, computers — anything in the area of microelectronics.

Q. But hasn't Cocom just relaxed the rules on computers, despite the misgivings of the U.S. Defense Department?

A. Cocom has agreed to relax the rules on certain kinds of desktop computers used in offices and homes, which are widely available, including in a number of countries outside Cocom. They actually do have military uses.

The justification for the relaxation is not that they have no military use; it's rather that they've achieved the status of commodities in international trade and cannot really be controlled.

Q. Some Europeans feel that the United States has been dragging its feet in updating Cocom's controlled items despite last year's decision to "streamline" the list.

A. We think there's been a lot of progress in streamlining, and that the progress achieved is not always fully recognized. . . . Sometimes we may differ on where to draw the line. Some countries are less prone to take risks than others.

Q. The United States is the least prone to take risks?

A. We tend to be more risk-averse than many of our allies. Much as we want to strengthen our relations with the Soviet Union and encourage reform inside the

Soviet Union we don't want to be imprudent when it comes to safeguarding our sensitive technologies.

Q. Can the Soviet Union succeed in its economic reforms without access to Western technology, some of which may now be banned?

A. They can certainly succeed without the militarily critical goods and technologies that we think need to be controlled. Yes. The real obstacles to economic reform in the Soviet Union are mostly internal and the Soviets have admitted this.

The ruble isn't convertible; they have very few products to export that Western consumers want; they have a completely antiquated infrastructure; it's very hard to do business in the Soviet Union.

Q. Won't the continuation of Cocom inhibit the growth in East-West trade?

A. No. There is ample scope for expansion of mutually beneficial nonstrategic trade with the Soviet Union. Cocom affects a very, very small percentage of international trade.

Q. So Cocom is still necessary? A. Cocom is as necessary as it ever was. That does not mean it shouldn't adapt to changing conditions.

Fears Grow Over Size of Diversion to E. Germany

By David E. Sanger

TOKYO — A widening investigation into one of the biggest technology diversions in recent years has raised new fears that East Germany illegally obtained far more Japanese-made precision equipment for producing advanced computer chips than was first believed, according to investigators in South Korea and Japan.

The Korean authorities said last week that they had arrested two men, including one who served for 11 years as a military attaché in Japan, on charges of selling at least a dozen machines crucial for manufacturing some of the West's most advanced semiconductors. The value of the transactions, from mid-1987 to sometime last year, was over \$10 million.

It is unclear what kind of chips East Germany might be making. Depending on how they are used, the machines could produce chips for anything from personal computers and cars to spy satellites and nuclear weapons.

The equipment is only part of what would be needed to set up a large chip-making operation in East Germany, which supplies the Soviet Union with much of its military electronics.

But because the machines are so precise and fast — they are capable of engraving the circuitry of about 15,000 chips an hour on wafers of silicon — they rank among the technologies most closely controlled by the Western allies and Japan.

Two weeks ago, the Japanese authorities, playing down the importance of the case, said they believed that only one of the \$1 million machines had reached East Germany, after taking a route through South Korea, Hong Kong and China.

The manufacturer of the equipment, Canon Inc., said at the time that several machines might be involved. On Saturday, a spokesman for Canon, Hirofumi Denda, said that the company had no information about the larger number of diversions.

The South Korean police, apparently acting on information provided from Japan, say that at least 12 machines were involved.

Canon previously said it had exported 92 such machines to South Korea since 1985. This disturbs investigators because the number of South Korean companies capable of using the equipment is relatively small.

"I have no idea how Korea could use that many," an electronics expert in Japan said. "I'm not saying Canon knew anything, but you have to wonder what kind of questions they were asking."

The Japanese police have said that Canon was duped about the destination of its equipment. Not one of the giant optics and electronics companies has been implicated.

The case arose earlier this year when the police raided Prometron Technology Ltd., a Tokyo sales company, after finding evidence that employees had sent to East Germany a shipment of hafnium, a metal used to make the control rods for shipboard nuclear reactors. The president of the company, Hirokuni Matsuda, was soon detained.

An inquiry revealed transactions between Canon's sales agents and concerns around the world set up by Prometron.

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WORLD BRIEFS

Senators Seeking Japan Troop Pact

WASHINGTON (NYT) — Responding to pressure to cut military commitments abroad, leaders of the Senate Armed Services Committee will propose soon that President George Bush negotiate an agreement for Japan to pay all the costs of keeping the 64,000 U.S. troops stationed there. Japan now pays about 40 percent of those bills.

A staff memorandum outlining a draft version of the legislation says it would also require Mr. Bush to report to Congress next year on a five-year plan for the U.S. military in Asia and to consult with South Korea on "the feasibility of a partial, gradual reduction" of the 43,000 American troops in that country.

The proposal, to be included in a series of amendments to the 1990 military budget measure, would also require the Pentagon to withdraw troops from Europe if the size of non-U.S. forces committed to the North Atlantic Treaty Organization fell below an established ratio.

Up to 14 Killed as Rockets Hit Kabul

KABUL (AP) — Up to 14 persons were killed when a barrage of rockets fired by Muslim guerrillas slammed into Kabul, spraying shrapnel and glass around a crowded bazaar, official Radio Kabul said.

A Foreign Ministry spokesman, Mohammed Nabi Amami, said that the U.S.-backed guerrillas were stepping up such attacks to give them more leverage before U.S.-Soviet talks on Afghanistan open Monday in Stockholm.

Mr. Amami said that eight persons died and 40 were injured when one of the rockets fired Saturday hit the bazaar. Other rockets landed around the center and south of the capital, killing four persons and injuring 16, he said. Radio Kabul, monitored in Pakistan, gave the toll of the attacks as 14 persons killed and 50 injured.

China Executes 2 for Role in Turmoil

BEIJING (NYT) — Authorities in the central city of Wuhan announced Sunday that two persons had been executed and 12 others sentenced to prison for their role in the recent turmoil.

The Xinhua news agency said that two were executed on Saturday apparently just after being sentenced. The report said they were convicted of "snatching firearms and ammunition, and deliberately killing a pregnant woman and a girl when robbing a residential house in Wuhan."

If the account is correct, they may not have had a direct role in the pro-democracy movement. So far, the government has announced only a dozen executions directly related to the movement. However, there have been 17 other executions announced, and four other death sentences that apparently have not yet been carried out, with no firm indication of how many of the 21 were common criminals and how many were political prisoners.

Andreotti Wins Vote of Confidence

ROME (UPI) — Prime Minister Giulio Andreotti won a confidence vote Sunday in the lower house of Parliament after citing the "pressing urgency" of renewed war on organized crime.

The Chamber of Deputies, following the Senate, voted, 371 to 200, to approve the five-party coalition government assembled by Mr. Andreotti, 70, a Christian Democrat and senior statesman.

The vote gave Italy a government in full powers for the first time since May 19, when the last prime minister, Ciriaco De Mita, resigned. In two days of debate before the roll-call vote, Mr. Andreotti heard pledges of loyalty from leaders of the parties composing the new government, 49th since World War II.

Paris Court Bars 'Satanic Verses' Ban

PARIS (AFP) — A Paris court has refused to ban or order the seizure of Salman Rushdie's controversial book "The Satanic Verses," deeming it "obviously imaginary" and "without the slightest historical pretension."

But in a conciliatory gesture to the eight French Muslim groups and six individuals who filed a petition, the court gave legal notice, in its Saturday ruling, to the French publisher of the book, Christian Bourgois, formally holding it to its pledge not to publicize the novel.

The Muslim groups warned that failure to remove the book "could lead to public disturbances." Muslims see the book as blasphemous. Threats after its publication forced the Indian-born British author into hiding.

For the Record

A Communist-led umbrella group of 13 organizations in the Philippines said Sunday that the arrest of two senior leaders would not set back their movement, and they predicted that "revolutionary storms" would hasten the collapse of President Corason C. Aquino's government. (Reuters)

TRAVEL UPDATE

U.S. Cautions Travelers to Kenya

WASHINGTON (UPI) — The State Department has issued a travel advisory for Americans visiting Kenya to take precautions to avoid being attacked. The warning followed the killing of an American woman, Marie Esther Ferraro, and the wounding of an American man while on safari.

Miss Ferraro, of Bethany, Connecticut, was killed and Allen Salivito of Fairfield, Connecticut, was slightly wounded when attacked last Thursday — reportedly by wildlife poachers — during a safari tour with 27 other Americans in Tsavo West Park.

The Italian minister of tourism, Franco Carraro, has suggested offering 100,000 lire (\$75) to foreign tourists who return next year to the sun-drenched beaches of the Adriatic. Health officials say the same, caused by rotting algae, is not dangerous. Scientists predict it is unlikely to go away for at least 10 years.

Cuba is building an airport capable of handling wide-bodied jets near the Varadero beach resort east of Havana, according to the president of the National Institute for Tourism, Rafael Sed. The project is part of a plan to expand tourism into a billion-dollar-a-year industry by the turn of the century. Cuba earned \$125 million from tourism last year. (Reuters)

In reaction to the Beijing massacre, the number of tourists arriving in Hong Kong in June was 20 percent lower than during the same months a year ago, a tourism official said. Douglas King, general manager of the Hong Kong Tourist Association, said tourist arrivals started to drop on May 20, when the Chinese government declared martial law. (AP)

This week's holidays: Banking and government offices will be closed or services curtailed in the following countries and their dependencies this week because of national and religious holidays:

TUESDAY: Guyana, Nicaragua, Rwanda, Switzerland, Zaire, Zambia. WEDNESDAY: Bahrain, Costa Rica, Egypt, Jordan, Kuwait, Lebanon. THURSDAY: Bermuda, El Salvador, Equatorial Guinea, Guinea-Bissau, Laos, Nepal, Malaysia, Niger, North Yemen.

FRIDAY: Bermuda, Burkina Faso, El Salvador. SATURDAY: El Salvador. SUNDAY: Bolivia, El Salvador.

Source: Morgan Guaranty Trust Co., Reuters

WEATHER

EUROPE				ASIA			
	HIGH	LOW			HIGH	LOW	
Algeria	77	59	C	F	Bangkok	84	72
Amsterdam	77	59	C	F	Beijing	84	72
Antwerp	77	59	C	F	Bombay	84	72
Berlin	77	59	C	F	Buenos Aires	84	72
Birmingham	77	59	C	F	Calcutta	84	72
Bombay	77	59	C	F	Cardiff	77	59
Boston	77	59	C	F	Cairo	84	72
Buenos Aires	77	59	C	F	Canberra	77	59
Calcutta	77	59	C	F	Chengdu	77	59
Cardiff	77	59	C	F	Chongqing	77	59
Cairo	77	59	C	F	Dhaka	77	59
Canberra	77	59	C	F	Delhi	77	59
Chengdu	77	59	C	F	Detroit	77	59
Chongqing	77	59	C	F	Hankow	77	59
Dhaka	77	59	C	F	Hong Kong	77	59
Delhi	77	59	C	F	Kobe	77	59
Detroit	77	59	C	F	London	77	59
Hankow	77	59	C	F	Los Angeles	77	59
Hong Kong	77	59	C	F	Manila	77	59
Kobe	77	59	C	F	Medan	77	59
London	77	59	C	F	Montevideo	77	59
Los Angeles	77	59	C	F	Nairobi	77	59
Manila	77	59	C	F	Rangoon	77	59
Medan	77	59	C	F	Seoul	77	59
Montevideo	77	59	C	F	Singapore	77	59
Nairobi	77	59	C	F	Taipei	77	59
Rangoon	77	59	C	F	Tokyo	77	59
Seoul	77	59	C	F			
Singapore	77	59	C	F			
Taipei	77	59	C	F			
Tokyo	77	59	C	F			

Sri Lanka Eases Curfew After Anti-India Riots

Compiled by Our Staff From Dispatches

COLOMBO — A nationwide curfew in Sri Lanka was relaxed for 10 hours Sunday to allow civilians to replenish food supplies after more than 150 people were killed in two days of anti-Indian protests.

Military sources reported no major incidents overnight. But an officer said that the government was taking no chances and that the curfew would be reimposed after people had had a chance to buy goods.

The government said the protests, in defiance of a 54-hour curfew, were led by the leftist People's Liberation Front, demanding the pullout of 43,000 Indian troops.

A token 600 Indian soldiers left for home Saturday night following a last-minute deal between the two countries to discuss a timetable for a phased withdrawal.

India resisted Sri Lankan demands for the Saturday departure of all the troops, sent to Sri Lanka two years ago under a pact aimed at ending a Tamil rebellion.

Lieutenant General Amarjith Singh Kallot, the commander of the Indian troops on the island, said in Trincomalee that the 600 troops who left for Madras would be the only contingent to depart until further instructions from New Delhi.

He thus contradicted Sri Lankan officials, who said Friday that the

Indians had agreed to send 5,000 troops home. He also said Indian troops remained in full control of security in Northeastern Province. Sri Lankan troops have been largely confined to barracks since the Indian troops arrived.

The Sri Lankan foreign minister, Ranjan Wijeratne, flew to New Delhi on Saturday to talk with his Indian counterpart, P.V. Narasimha Rao. An Indian Foreign Ministry official said that they met for two hours and that their talks were "warm."

Mr. Wijeratne met Sunday with Defense Minister Krishna Chandra Pant, the official added.

The officials were expected to review the implementation of the pact and measures to provide security for Sri Lanka's minority Tamil community after the Indians withdrew.

Military sources said more than 150 people had been killed in two days of violence, mainly in central areas of Sri Lanka.

Many died Friday when the police opened fire at demonstrators who were shouting, "Indian troops get out!" Some soldiers and policemen were killed or wounded when protesters returned fire.

The police said hundreds of demonstrators and curfew violators had been arrested, but the exact total was not available.

Government spokesmen said the demonstrations had been orchestrated by the liberation front, which had been using anti-Indian sentiment among the Sinhalese majority to further its ultimate goal of overthrowing the government.

Early this month, in a bid to tackle the front, the government gave security forces wide-ranging emergency powers, including permission to shoot "troublemakers" on sight.

President Ranasinghe Premadasa, announcing the deal with India, called for the protests against the Indian forces to cease. He appealed to Sri Lankans "to work from now on to bring the country and the society back to normalcy."

(Reuters, AFP, NYT)



Policemen checking the curfew pass of a cyclist in Colombo, where anti-Indian sentiment led to riots.

HOSTAGE: Shiite Group Threatens to Hang Marine

(Continued from Page 1)

been unsubstantiated reports that he died in detention.

Israeli Foreign Ministry officials disclosed Sunday that Washington had asked for details of Sheikh Obeid's interrogation.

Iran, Egypt and the Palestine Liberation Organization have condemned Israel's action. The Iranian prime minister, Mir Hussein Mousavi, reacted reprovingly to the international silence following the sheikh's disappearance. He warned that such stands would "have negative repercussions on the fate of hostages detained in Lebanon."

The Egyptian minister of state for foreign affairs, Boutros Boutros Ghali, termed the Israeli action "a

terrorist act that is condemned by the world community." He said such behavior was not conducive to peace but encouraged "more extremism and violence."

A spokesman for Yasser Arafat, chairman of the PLO, said the organization "rejected any act of kidnapping targeting civilians inside Lebanon or elsewhere."

An Israeli military spokesman was quoted as saying, "Israel is accused of piracy and violation of Lebanon's sovereignty, meaning that people are forgetting that Lebanon has become a nation of pirates where central authority broke down a long time ago." The officer asserted that during the last six months, Hezbollah had been responsible for 50 operations against

the Israeli Army and its ally, the South Lebanon Army Militia.

Hezbollah has held three Israeli soldiers captive since 1986, and Beirut sources believe that Sheikh Obeid's abduction might have been designed to set the stage for a prisoner exchange.

A Warning of Retaliation
In Tehran, the Iranian interior minister, Ali Akbar Mohtashemi, warned Israel and the United States that there would be reprisals for the kidnapping of Sheikh Obeid, Reuters reported from Nicosia.

"The occupying regime of Palestine and the United States will pay dearly," Mr. Mohtashemi said at a news conference, according to the Iranian news agency, IRNA.

TALKS: Progress on Cambodia

(Continued from page 1)

continuation of the present regime in Phnom Penh, which was established through Vietnamese aggression." But he acknowledged that the elements of the Phnom Penh regime were likely in a Cambodian coalition.

Mr. Baker, who called Saturday for the first time for an immediate cease-fire in Cambodia, did not mention such a plan on Sunday.

Foreign Minister Edward A. Stevardness of the Soviet Union called for the Cambodian combatants "to engage in further consistent efforts toward national reconciliation, to show tolerance and realism and take constructive approaches."

The Peace Are Walking In Ruins

By Stephen S. Engelberg

WASHINGTON — The peace talks between the Soviet Union and the United States are in a state of collapse, according to a senior U.S. official. The official said that the talks have been "seriously damaged" by the Soviet Union's refusal to accept the U.S. position on the issue of chemical weapons.

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Felix S. Bloch walking his dog under FBI escort near his daughter's suburban New York home.

News Reports Strengthened Hand Of U.S. Spy Suspect, Official Says

By Stephen Engelberg

WASHINGTON — Felix S. Bloch, the State Department official under investigation for espionage, was "strengthened" over whether to cooperate with authorities in the days before the case was made public by a broadcast account, according to a senior government official.

The official said that Mr. Bloch has not been charged with any crime. He has been shadowed by reporters and agents of the FBI since the inquiry about him was disclosed a week ago by ABC News.

The senior official, who said he was convinced that Mr. Bloch was a Soviet agent, contended that the news accounts had strengthened the suspect's hand in dealing with the government.

The reports disclosed, among other things, that the inquiry began only recently. "To find out when we got onto him is a real boon," this official said. "Until then, he was not sure what he had to cover."

The official added that before the case was publicly known, the surveillance and wiretapping of Mr. Bloch had continued to yield evidence helpful to investigators.

As a means of eliciting admissions, investigators often hint to espionage suspects that they have detailed knowledge of the case, but say they cannot mention specifics because they need to protect a highly placed source of information.

This sometimes has prompted people to make damaging admissions, even though the questioners actually had only sketchy knowledge.

President George Bush expressed concern Friday about the intense coverage of the case, saying that leaks could "jeopardize the case itself and perhaps the man's ability to get a fair hearing."

U.S. officials said last week that the intensive FBI inquiry into Mr. Bloch's background and contacts had concluded that he was clandestinely paid large sums of money by Soviet agents over several years.

But two officials in separate government agencies said they did not believe that Mr. Bloch had acknowledged in an interview with FBI agents that he had been paid "a lot of money" by the Soviet Union or that he worked with Soviet agents "for many years."

"That would be news to me," said one official who has read the reports on Mr. Bloch's interview with the FBI.

The New York Times, quoting an official involved in the investigation, reported that Mr. Bloch had admitted to FBI agents that he had received the payments and worked with the Soviet Union for years.

Rafsanjani Wins 94.5% Of Vote for President

The Associated Press

TEHRAN — The speaker of the parliament, Hashemi Rafsanjani, has captured 94.5 percent of votes cast in the Iranian presidential election and will have unprecedented changes approved at the same time, according to final results announced Sunday.

Interior Minister Ali Akbar Mohtashemi said that the constitutional amendments were approved by 97.38 percent of the voters in a referendum held simultaneously with the Friday election.

Mr. Mohtashemi said that the 54-year-old speaker received a total of 15,537,394 out of 16,439,247 ballots cast. His only challenger, former Agriculture Minister Abbas Shabani, won 632,583 votes, or 3.8 percent.

Challenger Accepts Loss

Patrick E. Tyler of the Washington Post reported from Cairo: Mr. Shabani conceded Mr. Rafsanjani's victory on Saturday, saying: "I congratulate this good choice, made with an overwhelming vote, to all those who love Islam and the Islamic Republic."

Under the new constitutional amendments, the office of prime minister was abolished and the president will assume day-to-day control over the cabinet, the budget, internal security forces, the armed forces and the Revolutionary Guards.

The significance of this election, coming eight weeks after the death of Ayatollah Ruhollah Khomeini, stems from the expectation that Mr. Rafsanjani will seek to end the isolation of Iran, control revolutionary extremism and usher in an era of relative stability and economic prosperity.

Western diplomats in Tehran and Iranian officials have said that Mr. Rafsanjani may name as many as 10 to 15 cabinet ministers. On Wednesday, Mr. Rafsanjani said that he wanted a cabinet with a "comprehensive" view.

Speculation has centered on the possible elevation to vice president of Foreign Minister Ali Akbar Velayati.

Leading hard-liners, such as Prime Minister Mir Hossein Mousavi and Mr. Mohtashemi, maintained a high public profile before the elections, fueling speculation that Mr. Rafsanjani wanted to keep them in the government, although some observers said that he would give them less control over policy-making.

Other analysts in Tehran say that Mr. Rafsanjani will move slowly to consolidate his control over the government while working in a loose coalition with the hard-line leaders.

Israeli Court Curbs Demolition of Homes

By Jackson Diehl

Washington Post Service

JERUSALEM — The Israeli Supreme Court moved Sunday to restrict the army practice of demolishing the homes of security suspects in the occupied territories, saying that residents have the right to appeal in court before action is taken.

The unanimous decision, taken in response to a petition from a civil rights group, marked the first time in the 19-month-old Palestinian uprising in the territories that the Israeli high court has issued an order against army security measures, lawyers said.

Civil rights advocates said that the ruling could delay by weeks or months punitive demolitions that sometimes have been carried out within hours of the army's identification of a suspect.

The demolitions, used by the Israeli military in its effort to put down the uprising, have been strongly criticized by the United States and international human rights organizations.

The Association for Civil Rights in Israel, which brought the Supreme Court case, said that about 200 homes had been demolished by the army in the West Bank and Gaza Strip since the violence began in December 1987, while another 100 had been sealed.

Though the court decision will not stop demolitions, civil rights advocates believe that it may reduce their number by giving families a chance to present their cases to military commanders and the court. Under the ruling, residents of a home ordered destroyed can appeal to the local military commander within 48 hours, and if re-

fused will get another 48 hours to appeal to the Supreme Court. "Once they have to wait a while, and they have to think about it," said Joshua Schoffman, legal director of the civil rights association, "and they have to hear the family and see that they are real human beings and not abstractions, we hope the military commander will react accordingly and fewer demolitions will be carried out."

The decision represented a rebuff to Defense Minister Yitzhak Rabin, who last month requested government approval for stronger administrative powers for the army in the territories, including the right to demolish homes and carry out expulsions without appeal.

The proposed measures were opposed by the Justice Ministry, and military sources said it was now unlikely they would be adopted. The court said that the army re-

tained the right to seal a home without prior notice or appeal, because this was reversible. It said that the military may also destroy a house without a hearing for urgent reasons during an operation, but that in no case could a punitive demolition take place without prior notice and the right to appeal.

Five Palestinians died Sunday as a result of violence in the Israeli-occupied territories, Reuters reported from Jerusalem.

A Jewish settler shot dead a Palestinian during clashes in the Gaza Strip, three Arabs died of army gunshot wounds and another was beaten to death by Palestinians. In Jerusalem, Israeli police raided the offices of the Kach movement, a militantly anti-Arab group led by Rabbi Meir Kahane, and arrested eight activists.

In Gaza, a Sullen War of Arab ID Cards

Washington Post Service

EREZ CHECKPOINT, Israel — Before sunrise each morning, as packed cars of workers bound for the Gaza Strip to Israel pass haltingly through this army roadblock, large and silent crowds of men begin to gather on the asphalt outside an old warehouse.

Some of the men come voluntarily, rising early and sitting for hours on a rough pavement under the guard of Israeli troops. Others are forcibly rounded up from their neighborhoods and based in. Many come because soldiers have confiscated their identity cards at the checkpoint and told them they must go to retrieve them.

The sullen convocation marks Israel's latest and most elaborate bureaucratic effort at controlling the population of its occupied territories, a mounting offensive of paper and plastic that seems likely to lead to a major test of strength in the coming weeks with the leadership of the Arab *intifada*, or uprising.

After as many as three hours of shuffling through a succession of tents while they are identified, checked, taxed and photographed, the men are issued small, plastic cards that authorities say soon will be essential for passage between the Gaza Strip and Israel.

Thus begins the battle of the transit permits, a contest that matches the army's high technology against the *intifada*'s grassroots organization. Army officials say that, beginning Aug. 18, any of Gaza's 600,000 residents wishing to leave the territory — above all, the 50,000 going daily to Israel jobs — will have to show either the new card or a special permit.

Those who get arrested for joining the *intifada*, refuse to pay their taxes, fail to respond to police and court summons or commit offenses in Israel, officials say, will not be allowed out.

The uprising's organizers, however, seem to think they can make their own use of the army's new weapon. "People come here and wait, and when their number is called, they get their card," said an Israeli lieutenant colonel, gesturing at the last tent in the elaborate card-processing operation he has been running the last six weeks. "Then they go home and the boys take it away from them. That's the game."

Even as the army's barricaded base methodically churns out the color-coded, photo-embossed magnetic cards for the Palestinians of the Gaza Strip, hooded youths carrying sacks and axes parade through the territory's refugee camps and appear in residential neighborhoods at night, confiscating them for delivery to the uprising's committees.

By the time the checkpoint is sealed three weeks from now, uprising organizers say, even those Arabs who want to use the new cards to enter Israel will not be able to do so without the permission of the local committees, giving them a power over the workers they have never had in the past.

As the two sides have concentrated on distributing and confiscating the cards in recent days, residents and observers have begun to foresee a standoff between the army and the uprising, with the territory's residents barred by the military from entering Israel without a pass and barred by the committees from getting or keeping a card.

If we get the cards, the guys will take them, but if we come to the checkpoint without the cards the army will confiscate our IDs," said Naim, a worker who passed through the checkpoint early one recent morning. "What can we do? All we can do is sit at home."

If the Gaza workers are forced to stay home, both the population of the territory and many Israeli businesses will quickly feel the pinch.

The thousands of workers who pour through the checkpoints early each morning represent the most important source of income for Gaza's population and provide the cheap, unskilled labor needed in the Israeli construction, manufacturing and services industries.

— JACKSON DIEHL

Arab League Panel Polishes Lebanon Peace Plan

Reuters

RABAT, Morocco — Arab League peacekeepers put the final touches Sunday to proposals to end the war in Lebanon.

The foreign ministers of Algeria and Saudi Arabia met Foreign Minister Abdelatif Fliki of Morocco in Rabat.

It was not clear whether the three ministers would meet again before reporting on the peace effort to their heads of state, who were charged by the Arab League with mediating in the Lebanese crisis.

Lebanese officials said about 600,000 people had left Beirut since battles broke out in March between Christian and Syrian troops.

The Arab League in May gave King Hassan II of Morocco, President Chadli Bendjedid of Algeria and King Fahd of Saudi Arabia a six-month mandate to end fighting in Lebanon and start talks.

But their committee has so far failed to negotiate a halt to battles between Major General Michel Aoun's Christian forces and Syrian troops and their allies.

Fires in Beirut

Artillery duels raged between Syrian and Christian forces across Beirut on Sunday, setting huge fires in residential districts in the city's Muslim and Christian sectors, The Associated Press reported.

The Lebanese ambassador to Iraq, Hikmat Awad, was quoted as confirming that the Christian side had acquired surface-to-surface missiles and other sophisticated weapons from Baghdad to bolster General Aoun's campaign.

Pre-Summit Rendezvous — in Wyoming

By Don Oberdorfer

Washington Post Service

PARIS — The U.S. secretary of state, James A. Baker 3d, and Foreign Minister Eduard A. Shevardnadze of the Soviet Union have announced that they will conduct intensive preparatory discussions for a U.S.-Soviet summit conference when they meet again Sept. 19-20 in the unusual setting of Wyoming.

If the Wyoming talks are successful, Mr. Shevardnadze said, the first summit meeting between President George Bush and President Mikhail S. Gorbachev will take place "rather soon."

Mr. Baker declined to say whether the meeting would be held before the end of the year.

In the first top-level diplomatic session of the two nations since mid-May, Mr. Baker and Mr. Shevardnadze dwelt at length Saturday on the dramatic wave of strikes and other internal developments in the Soviet Union. Their talks also produced Soviet proposals for closer scientific, economic and cultural ties with the United States.

The meeting, on the eve of an international conference on Cambodia to be attended by the foreign ministers of nearly 20 nations, was scheduled for two hours but lasted three hours and 10 minutes, most of it taken up in intimate one-on-one discussions with only interpreters and note-takers present.

Mr. Baker suggested intensified discussions of economics to explore possible U.S. technical assistance to Moscow on economic issues, and Mr. Shevardnadze appeared to accept the idea in principle, according to U.S. aides.

Mr. Shevardnadze also presented proposals for a new U.S.-Soviet accord in the field of human rights and for accelerated superpower cooperation in working for a world-wide ban on chemical weapons.

For his part, Mr. Baker presented a written U.S. position on Central America that sought to enlist Soviet help in the regional peace efforts there and to pin down details of Mr. Gorbachev's private message to Mr. Bush in May declaring that Moscow had stopped supplying weapons to Nicaragua.

A Soviet Foreign Ministry official who sat in on the talks, Vitali Churkin, said of the Nicaragua arms ban announced by Mr. Gorbachev: "We mean what we said, and what was said is what is happening."

But from the U.S. standpoint, a senior State Department official said, "the jury is still out" regarding Soviet compliance with the ban.

The idea of a high-level U.S.-Soviet meeting in Wyoming has been in Mr. Baker's mind for many weeks and was discussed with Mr. Bush before springing it on Mr. Shevardnadze on Saturday, aides to the secretary of state said.

Mr. Baker, who purchased a ranch in December on the western slope of the Wind River range near Boulder, Wyoming, showed Mr. Shevardnadze color photos of the landscape. Mr. Shevardnadze's note-taker and interpreter "visibly brightened" at the idea of a jaunt to the American West, and Mr. Shevardnadze quickly accepted the plan, a U.S. participant said.

The idea of ministerial meetings outside Washington or Moscow occurred to Mr. Baker when he traveled to the Soviet capital two and a half months ago. Aides said he believed such trips to the hinterlands would add interest as well as intimacy to the sessions, which usually involve dozens of aides on each side and an extensive agenda.

There is no possibility of holding the meeting on Mr. Baker's ranch, which was described as having only one old cabin built many years ago by trappers, with no electricity, indoor plumbing or running water. The State Department has not yet begun to make reservations or other arrangements for the sessions in Wyoming, an official said, though Mr. Baker evidently has some ideas about potential sites.

A Bush-Gorbachev summit meeting would be the first negotiating session between the two men, who have met several times, most recently at the luncheon for Mr. Gorbachev given by President Ronald Reagan at Governor's Island in New York harbor in December.

Mr. Gorbachev was among the foreign leaders whom Mr. Bush telephoned in his first days as president in January, and the two have carried on a lively correspondence, including a letter handed over to Mr. Baker for transmission to the president Saturday. Neither side would disclose its contents.

Billy Graham in Hungary

The Associated Press

BUDAPEST — The Reverend Billy Graham, the American evangelist, preached to an estimated 90,000 Hungarians in a Budapest soccer stadium on Saturday.

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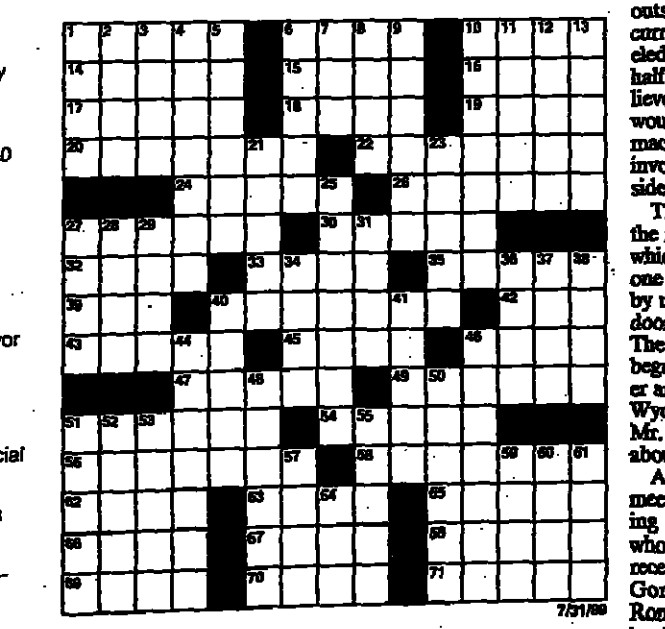
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- ACROSS**
- Circs
 - Drinks slowly
 - Freeway exit
 - Unit. Comb. form
 - Jog
 - Conform
 - Warning
 - Man or Night
 - Flower holder
 - State bird of La.
 - Decrees
 - Horsemen's interests
 - Golf course "birds"
 - Esplis
 - Preceder of said or thought
 - Border on
 - Easy center
 - Galle
 - Bles or Hodges
 - Automobile plays



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- DOWN**
- and bells for fools
 - Bundle of cotton
 - Spoken
 - Erect or honest
 - Male felina
 - Use sparingly
 - April agcy.
 - Field or water sport
 - Hi-fi successor
 - One who wreaks havoc
 - Advantage
 - Legal middle
 - Iron
 - Passageway
 - Ventures
 - Without vitality
 - Heroic tale
 - Footnote abbr.
 - Sea bird
 - Yard parts
 - Kiln
 - Wading bird
 - Leer's little sister
 - Become inactive
 - Dentist's tool
 - Valeria Harper role
 - Selfish ones
 - Threatened
 - Chooses
 - Administer
 - Open
 - Less common
 - Senseless
 - Say
 - Swiss river
 - Revs, as an engine
 - French being
 - Stagger
 - Black, Red or Yellow



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Germany** G.M.	0130 25 31	50	40	20
Gr. Britain** E	---	140	90	50
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Ireland** I.R.	---	155	110	60
Italy** I.	---	420,000	380,000	230,000
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31-7-89

A Collision Course in Poland?

Party Reshuffle Sets Government and Solidarity at Odds

By John Tagliabue

New York Times Service

WARSAW — The reshuffling of the Polish Communist Party leadership does not appear to have brought Poles a quantum leap closer to the resolution of their pressing economic problems.

With the resignation on Saturday of President Wojciech Jaruzelski as Communist Party leader and his replacement by Prime Minister Mieczyslaw Rakowski, an unorthodox Communist who is also a foe of Solidarity, the government and opposition appear more than ever to be marching on a collision course.

General Jaruzelski's resignation from the top party post was expected; he had pledged to step down if elected to the new office of president. As president, he acquires powers greater than those he held as party secretary. He is responsible for foreign relations and has the right to declare a state of emergency and to dissolve parliament for new elections. General Jaruzelski, who is limited to two six-year terms, is also commander in chief of the armed forces.

It was unclear who would succeed Mr. Rakowski as prime minister.

Mr. Rakowski appears to have convinced General Jaruzelski, and through him Moscow, that the party, to remain a viable force in Poland, must forge a fresh constituency among the managers and workers of industries with a promising future — light industries like electronics or food processing, and services like banking, finance and

tourism that are woefully underdeveloped in Poland.

Mr. Rakowski has been at the forefront of a movement within the party to transfer ownership of state companies in these sectors to their party-nominated managers, in what appears to be an effort to

compensate them for a loss of security and perquisites, and retain their loyalty in the coming struggle with Solidarity.

But the choice of Mr. Rakowski, a veteran party propagandist and close associate of General Jaruzelski, by only 171 of 212 votes of the full Central Committee, showed the depth of the hard opposition to his initiatives within party ranks by those who feel his policies have eroded and endangered their positions.

In casting Mr. Rakowski in the role of party leader, General Jaruzelski was taking the calculated risk of a defection by old line leaders from heavy industry and the Communist bureaucracy.

Indeed, the election to the Politburo of two hard-line leaders representing heavy industry and the apparatus, Mieczyslaw Kalonin, and Janusz Krasnowski from Warsaw, appeared to reflect Mr. Rakowski's conviction that it was better to have such comrades inside the stockade shooting out, than outside shooting in.

But in nodding toward Mr. Rakowski, whose role in crushing Solidarity in 1981 aroused particularly

strong emotions from the union-based opposition, the party was also signaling that it intended to set forth with renewed vigor the pursuit of political goals that are opposed to those of Solidarity.

In consultations with political leaders last week, General Jaruzelski appears to have let it be known that the rules of the game militate even further against a Solidarity-led government. In a startling admission that Moscow, and not Warsaw, still ultimately calls the shots, the president told Solidarity it could not form a government because Warsaw's neighbors, including the Russians, would view this "askance."

Some believe the sides are bound to collide on this.

Mr. Rakowski expressed the view last week that much skepticism among Western leaders toward events in Poland is rooted in a fear that the fragile understanding between Solidarity and the Communists could come unstuck.

"They are not sure," he said, "that some uncontrolled reflex is not going to damage the delicate fabric of agreement we have woven together with the opposition."

The implications of that statement are considerable, for it implies that the Communists view the understanding between the sides as a kind of alliance with Solidarity to govern the country.

But in Gdansk on Sunday, the Solidarity leader, Lech Walesa, reiterated the opposition's refusal to enter such an alliance. "All or nothing," Mr. Walesa said.

Poles Face 2-Fold Rise In Prices of Most Foods

By A.D. Horne

Washington Post Service

WARSAW — The Polish government, after weeks of controversy and mounting public concern, announced Sunday that it would end price controls on almost all food on Tuesday. Most prices are expected to double, and officials are braced for public protests.

The decision was made by the outgoing cabinet of Prime Minister Mieczyslaw Rakowski, who was elected Saturday to head the Polish Communist Party. It was linked to a range of modest wage and pension bonuses designed to cushion the impact of the higher food prices for most of the 38 million Poles.

The Rakowski government delayed its decision until the last possible moment, and then issued it on a Sunday, when Poland has no newspapers. Television newscasts directed viewers to read Monday's newspapers to learn the details from the official announcements.

The government's decontrol of food prices is a necessary step for the poor: low-fat milk, baby formula, rye bread and cottage cheese. It also includes some new tax incentives to encourage increased food production.

On at least three occasions in postwar Communist Poland, food price increases of this magnitude have resulted in riots and strikes that brought down party leaders. In this case, however, public anger has already been vented during a one-month wage and price freeze in July, which has emptied store shelves of rationed meat and other staples. The freeze will end Tuesday, so consumers are braced for the price increases.

Strikes may break out nonetheless. Despite the July freeze, transport workers staged several wildcat strikes and won large pay increases, and a strike at Poland's second largest shipyard, in the Baltic port of Gdynia, was suspended until Tuesday, when the freeze ends.

Meanwhile, the new parliament seated this month is still debating details of a system of indexing salaries to offset inflation, as agreed in the roundtable pact between the government and Solidarity.

For months, government and opposition economists have agreed that decontrolling prices was necessary as part of a broad restructuring of the Polish economy.

But there have been public arguments over how free-market pricing should be put into effect. The Communist Party's chief economic policy official, Wladyslaw Baka, resigned Friday after party officials rejected his appeal that the decontrolling of food prices be delayed for at least a month to allow for more careful preparation.

On Thursday, eight Solidarity economists, in a scathing attack on the Rakowski government's economic record, warned that the "careful preparation" including the abolition of monopolies and the stockpiling of reserves should precede the imposition of market rules on the food industry.

But farmers and agriculture officials have urged the decontrolling of food prices at once, to allow prices and production to rise.

The Finance Ministry has estimated a 185-percent increase in official meat prices. But meat has almost vanished from state stores, where it was sold at about one-fourth the free market price.

BUSH: Flexibility Opens Up Policy-Making to Aides

(Continued from page 1)

had longtime friendships, such as Mr. Brady and Secretary of State James A. Baker 3d, as well as a "few brainy newsmen in his circle," such as the budget director, Richard G. Darman, and the White House chief of staff, John H. Sununu.

As such major issues as clean-air legislation, trade policy and arms control have come to him, Mr. Bush has been inclined to dissect each problem — "facts, facts, facts," says one aide — rather than to preside over debates on ideology and philosophy, according to those who have worked with him.

"He's not interested in a lot of airy stuff," Mr. Brady said. "That to me does not mean he does not have a philosophy and convictions. He's got those. He just doesn't want a lot of guff about it — you know, highfalutin theories. He likes to make decisions on things that are factual."

While Mr. Bush has enjoyed high public approval ratings and no major policy disasters in his first six months, many in his administration caution that his open-ended method of operating remains untested by serious, sustained crisis, when his approach might come under more strain.

Details of the evolving process come from a half-dozen cabinet members and a score of White House and administration officials, some of whom also served Presidents Ronald Reagan, Gerald R. Ford and Richard Nixon. With few exceptions, these officials said that Mr. Bush has created a system in his own image, one that often steers toward a middle course and seems to offer many different ways to make their case.

In the early days of the Reagan presidency, the White House — in particular, Budget Director David Stockman — all but dominated domestic policy. In that period, many cabinet members took marching orders directly from mid-level White House and budget aides.

Mr. Bush begins his presidency in relatively placid times, without

the crisis atmosphere in which the Reagan "revolution" was launched, and the climate for policy-making is far different. Strong personalities tend to dominate the scene, and they are not always captive to the White House.

Mr. Bush acknowledged Friday that a major decision by Commerce Secretary Robert A. Mosbacher to allow computer sales to the East bloc had not been reviewed by him until after it was made and announced. The decision lifted Reagan-era restrictions on mid-level computer sales, but Mr. Bush said he did not examine the matter until Defense Secretary Dick Cheney voiced objections after it was announced.

In another example, William K. Reilly, the Environmental Protection Agency administrator, surprised many senior White House officials when he recently announced that the agency had decided to ban virtually all uses of asbestos by 1997. The Reagan administration had delayed action on asbestos for years. Only after Mr. Reilly's announcement did White House officials discover that he had, in fact, advised them in his weekly report and that the decision culminated a long regulatory process. "There was more of a process than we realized," a senior official said.

In fact, as often as not, it is the White House that is playing catch-up to the other powerful figures in the Bush firmament. Mr. Mosbacher, one of the cadre of long-time Bush friends in the cabinet, described the president as the kind of executive who follows the formal system but who also realizes "you can run into somebody at the water cooler" and that he can influence his decision. "You can't be Bush down to one single process," Mr. Mosbacher said. "That's part of the genius of this. He also goes outside. He may call someone in Ohio about free trade, steel, whatever it may be."

"He does not want to be handled, isolated, cut off from people that can help him make a decision," Mr. Baker said. "Sometimes the results are a busted signal, but

that's pretty rare. Overall you end up with pretty well-informed decisions."

Another feature of Mr. Bush's decision-making so far has been his overwhelming interest in foreign affairs. Many of the big domestic policy items have bubbled up from the departments and agencies, but Mr. Bush has sought to put a personal imprimatur on international relations.

For example, after a four-month strategic review by agency officials disappointed him by failing to come up with new ideas for dealing with the Soviet Union, Mr. Bush and a few top advisers conceived the proposal for deep reductions in conventional forces in Europe.

Even so, a source who was part of that process said, the closed-door deliberations over the idea still followed the basic Bush pattern of trying to make sure everyone was on board. Mr. Bush insisted that the proposal be thoroughly vetted by the military before he made it public, the source said.

SOVIET: Yeltsin Challenge

(Continued from page 1)

1918, hopes to unite workers with intellectuals to press for more rapid dismantling of central economic and political controls.

In addition to intellectuals from Moscow and Leningrad, the meeting drew a large contingent of members from coal-mining regions, who said the recent strike in the coalfields had demonstrated that workers were impatient for more drastic change.

The bloc, whose leaders shy away from the word "opposition," is driven by a conviction that President Gorbachev needs a fearless pressure group to push him to more far-reaching measures.

The gathering got a cold shoulder from the Kremlin. Organizers said they were denied a Kremlin auditorium or access to Supreme Soviet printing facilities.

NUCLEAR: More Evacuees

(Continued from page 1)

tures would have to be taken to relocate entire villages during the next five years to reduce the radiation risk to inhabitants.

The report did not deal with the questions of whether serious contamination already may have been suffered by these residents in the three years since the accident, and why the additional evacuations would be scheduled across a five-year span.

According to Tass, the Byelorussian parliament received a preliminary draft saying that 11,600 people must be moved, but that concluded, on the basis of tighter standards of background radiation applied by local specialists, that the relocation of "more than 106,000" residents was advisable.

The explosion and fire at the nuclear plant on April 26, 1986, marked the world as 31 persons died, more than 200 others suffered radiation sickness and exposure of land, crops and animals were subjected to dangerous contamination in the Soviet Union and other countries in western and northern Europe.

In the aftermath, more than 115,000 people fled or were relocated from the immediate area of the Ukraine, within 30 kilometers of the plant, and from adjacent areas of Byelorussia that also were contaminated by a rain of radioactive material.

Last year, a team of U.S. experts concluded that the health risk to the world beyond the immediate vicinity would remain far too small to be detected statistically and was less alarming than some original estimates.

There was no immediate reaction reported from the Kremlin to the new Byelorussian estimate. Villagers there have been complaining for months that the true extent of the danger was being minimized by the national government and that the most severely affected regions were subject to only skimpy scientific monitoring.

BUREAUCRATS: In Charge

(Continued from page 1)

versity Japan. "The politicians won't have the time to worry about making policy. They're concerned mostly with saving their own skins."

In some respects, the prospect of rule-by-bureaucracy is a comforting one. The country's highly trained civil servants represent the cream of society. But while some bureaucrats may be rubbing their hands in anticipation of additional power, others call the situation worrisome.

"Outsiders say Japan can do without political leadership as long as we have our bureaucracy, and the bureaucrats nod piously," said Yukio Okamoto, a senior civil servant in the Foreign Ministry. "And to take care of going from today to tomorrow — yes, tomorrow will come. But if we look further into the future, the lack of leadership will hurt."

Mr. Okamoto, whose candor is unusual for a Japanese bureaucrat, noted that his country was being pressed from abroad to take fundamental steps toward a more open economy.

"Bureaucratic decisions on small issues can carry the national agenda," he said. "But when we need drastic change to adapt to a new reality, there has to be political leadership."

For much of the postwar period, the bureaucracy played a key role in implementing the single goal: to generate economic growth and catch up with the industrialized West.

The Ministry of International Trade and Industry, in particular, protected and directed corporate Japan during the 1950s and 1960s.

JAPAN: Shift to the Left?

(Continued from page 1)

seen as having leverage if they can keep the opposition united behind them in the upper house. By blocking legislation, for example, they might be able to force concessions from the Liberal Democrats.

Despite this, business leaders said they were not worried that the Socialists would try to nationalize industry, although many said they believed that some members of the party would like to do just that.

"Half of the party, we can talk to," said an official of Keidanren, the most influential big-business association. "But the other half are left-wing ideologues, and we can't talk to them."

The Japan Socialist Party was founded by radicals in 1906, then went through a period of infighting and divisions and was moribund in the 1930s. The party was revived after World War II.

In recent weeks, Miss Doi and the Socialists have made business groups somewhat nervous by saying that they might seek to replace the 3-percent sales tax on goods and services with more taxes on the wealthy, including a property or stock transfer tax.

She sent shivers through the Foreign Ministry after the election by reiterating her belief that Japan must adhere to its policy of bearing any "introduction" of nuclear weapons to Japanese territory.

Although this has been a pillar of Japanese policy for years, it has long been widely believed — and officials do little to persuade people otherwise — that nuclear weapons are aboard U.S. warships at naval bases in Japan.

Foreign Ministry officials expressed apprehension that Miss Doi could raise the nuclear issue from the party's new position of prominence, possibly aggravating relations with the United States.

But politicians agree that even if the Socialists triumphed later this year or next in elections to the more powerful lower house, they would almost certainly have to form a coalition with centrist parties. U.S. officials said that they were willing to take Miss Doi's assurances on foreign policy at face value. Among those who said that the United States should not be worried about the friendship of Japan under her was Mike Mansfield, who retired this year after 11 years as ambassador to Japan.

"She has indicated there would be a continuity in policy," Mr. Mansfield said.

2 Greek Prelates Freed After Arrest in Cyprus

(Continued from page 1)

NICOSIA — A Greek Orthodox bishop and priest were freed Sunday after being held for 11 days by Turkish-Cypriot authorities following a protest in the UN-patrolled buffer zone of the divided island.

The two were the last released of 108 Greek-Cypriot demonstrators arrested for crossing into the Turkish sector during a July 19 protest that marked the anniversary of the 1974 Turkish invasion of the island.

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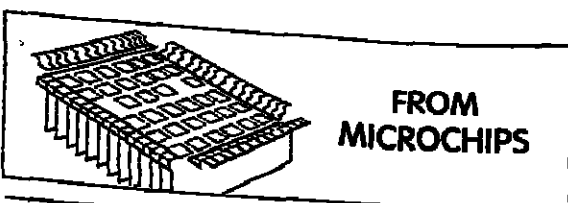
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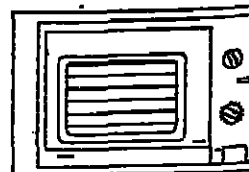
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EUROBONDS

Swedish Firms Discover Cheap Borrowing Abroad

By FREDRIK DAHL

STOCKHOLM — Swedish companies are lining up to issue Eurokrona bonds following the abolition of Sweden's exchange controls, finding it cheaper to borrow abroad than at home, analysts said. "It is a race between Swedish companies and finance institutions to borrow kronor on the Eurobond market," said Kalle Cadmark, finance director at Swedish Export Credit.

The end of the controls on July 1 gave foreigners the right to buy krona-denominated paper and allowed Swedes to buy foreign bonds. But analysts said foreigners prefer the Eurobond market. "Foreign investors know the Eurobond market and how it works," said Leif Hedberg, deputy managing director at Svenska International PLC, the London subsidiary of Svenska Handelsbanken.

"But they still lack knowledge of the Swedish market, which has been closed to them for a number of years," Svenska International has led two of the three Eurokrona bonds issued since July.

Mr. Hedberg and others said the interest-rate gap would gradually narrow as more kronor paper comes onto the market. Swedish Export Credit has issued two krona-denominated loans since deregulation. It was the first Swedish borrower onto the Eurobond market, with a 500 million kronor (\$78 million) issue paying 11.0 percent at a price of 101 percent of face value. "We were able to borrow 20 basis points lower than we would have done here in Sweden," said Mr. Carlmark.

He noted the borrowing was a few basis points below the current yield on Swedish government paper. Last week, the issue was yielding 11.109 percent, against the yield of 11.22 percent on comparable Swedish government paper.

Swedish Export Credit's second foray onto the Eurobond market was a one-year, 500 million kronor Eurocommercial paper program.

SINCE THEN, the household appliances concern Electrolux AB has launched a 500 million kronor, three-year bond issue paying 11.25 percent and priced at 101 1/4. Last week the mortgage institute Sigab also issued a 500 million kronor bond, paying 11 1/4 percent and priced at 101 1/4.

More kronor issues are in the pipeline, market analysts said. "We could issue several more today," said Mr. Hedberg. "But we have to be careful so we don't destroy this new market."

"We've noticed a strong interest in launching Eurokrona issues right now," said Fredrik Bohm, director at PKBanken's money market department.

In theory, the lifting of Sweden's financial barriers should bring down kronor yields, in line with those on other markets. Most analysts believe the opportunity to borrow kronor cheaper abroad will be temporary.

"Since it's now possible to trade bonds across borders the difference should disappear," said Lars Nyström, head of the foreign department at the Central Bank.

Analysts said that although it is difficult to compare different companies and institutions, each Eurokrona issue to date has tended to be more expensive for the borrower than the one preceding it.

However, some believe Swedish yields will remain slightly above their Eurobond counterparts, since under Swedish law a kronor bond issued in Stockholm will have to be deposited and registered in a Swedish bank and cannot physically move across country borders. This is for tax control. "Many private investors prefer, for different reasons, to have a bearer bond, which they can put in their drawer, instead of a registered bond," said Mr. Hedberg.

He said future interest rate developments depend on what kind of investors dominate the market.

"If the smaller private investors take a major slice of the Eurokrona market some interest rate differential will remain," he said. "On the other hand, if big Japanese funds or British insurance companies decide to move in the gap will disappear as they don't care whether it's a registered bond or a bearer bond."

Merrill Withdraws Issue
A spokesman for Merrill Lynch Bank AG said it is withdrawing a controversial, \$35 million Deutsche mark (\$18.6 million), two-year Eurobond issued July 3 for Finnish Export Credit Ltd., and substituting another offering, Reuters reported from Frankfurt.

The bond which is being withdrawn would have paid normal interest in marks. The redemption, however, was to be in marks linked to the peseta/mark exchange rate.

The decision to withdraw the first bond was made after the See BONDS, Page 9

Currency Rates

Cross Rates	July 28
Australian dollar	2.117
Belgian franc	36.335
British pound	1.648
Canadian dollar	1.311
Deutsche mark	1.637
French franc	6.549
Italian lira	2036.26
Japanese yen	163.64
New Zealand dollar	1.637
Spanish peseta	166.639
Swiss franc	1.483
U.S. dollar	0.937
Yen	163.64

Other Dollar Values	July 28
Australian dollar	0.937
Belgian franc	0.025
British pound	0.778
Canadian dollar	0.765
Deutsche mark	1.936
French franc	0.015
Italian lira	0.002
Japanese yen	0.006
New Zealand dollar	0.937
Spanish peseta	0.018
Swiss franc	1.136
U.S. dollar	1.000
Yen	110.461

Forward Rates	30-day	60-day	90-day
Australian dollar	1.648	1.643	1.639
Belgian franc	36.335	36.335	36.335
British pound	1.648	1.648	1.648
Canadian dollar	1.311	1.311	1.311
Deutsche mark	1.637	1.637	1.637
French franc	6.549	6.549	6.549
Italian lira	2036.26	2036.26	2036.26
Japanese yen	163.64	163.64	163.64
New Zealand dollar	1.637	1.637	1.637
Spanish peseta	166.639	166.639	166.639
Swiss franc	1.483	1.483	1.483
U.S. dollar	0.937	0.937	0.937
Yen	163.64	163.64	163.64

Stock Indices	July 28	July 27
DJ Industrial	2652.5	2652.5
DJ Utility	279.82	279.82
DJ Transp.	1269.20	1269.20
S & P 500	374.46	374.46
S & P 400	374.46	374.46
NYSSE	191.38	191.38

Money Rates		July 28	July 27
Discount rate		7.00	7.00
Federal funds rate		8 1/4	8 1/4
Prime rate		10 1/4	10 1/4
3-month Treasury bill		5 1/2	5 1/2
3-month Eurodollar		5 1/2	5 1/2
3-month Commercial paper		5 1/2	5 1/2
3-month Banker's accept.		5 1/2	5 1/2
3-month Interbank		5 1/2	5 1/2
3-month Swap		5 1/2	5 1/2
3-month Forward		5 1/2	5 1/2
3-month Reverse		5 1/2	5 1/2
3-month Arbitrage		5 1/2	5 1/2
3-month Basis		5 1/2	5 1/2
3-month Spread		5 1/2	5 1/2
3-month Yield		5 1/2	5 1/2
3-month Cost		5 1/2	5 1/2
3-month Profit		5 1/2	5 1/2
3-month Loss		5 1/2	5 1/2
3-month Break		5 1/2	5 1/2
3-month Margin		5 1/2	5 1/2
3-month Collateral		5 1/2	5 1/2
3-month Security		5 1/2	5 1/2
3-month Liquidity		5 1/2	5 1/2
3-month Solvency		5 1/2	5 1/2
3-month Credit		5 1/2	5 1/2
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3-month Return		5 1/2	5 1/2
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3-month Yield		5 1/2	5 1/2

*Provided by Credit Suisse First Boston Securities, London, Tel.: 01 323 11 30
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ISSUE Can Mo

Mutual Funds

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New International Bond Issues

Compiled by G. Jennifer Shapiro

July 28

Issuer	Amount (millions)	Mat.	Coups. %	Price	Price and week	Terms
ROATING RATE NOTES						
Bank of Scotland	\$300	Perp.	0.40	100	—	Initially over the 3-month Libor. Alternative will be 1 point over Libor in years 1 to 10 and 1% points over Libor thereafter. Denominations \$10,000. Fees undetermined. (Merrill Lynch Int'l)
Belgium	DM 300	1999	1/8	100 1/4	—	Under the 6-month Libor. Semiannual. Callable at par in 1994. Denominations 10,000 Deutsche Mark. Fees 0.15%. (Morgan Stanley)
FIXED-COUPONS						
Banque Paribas du Commerce Extérieur	\$175	1994	8%	101 1/4	100.10	Noncallable. Fees 10%. (Nomura Int'l)
Scotiabank de Portugal	DM 100	1996	7%	102	101.30	Noncallable. Fees 24%. (Bank of Tokyo)
Mellife Funding Inc.	\$120	1992	11%	101 3/4	99.875	Noncallable. Fees 19%. (Credit Suisse First Boston)
Student Loan Marketing Association	\$100	1994	11	101 7/8	99.85	Noncallable. Fees 19%. (Barnes Montage & Co.)
TOTAL — Compagnie Française des Pétroles	FF 500	1993	8%	101 1/4	99.80	Noncallable. Fees 19%. Denominations 10,000 French francs. (Credit Lyonnais)
Deutsche Bank Finance (Caracas)	FF 500	1996	8%	101 1/4	100.17	Noncallable. Fees 18%. Denominations 10,000 French francs. (Banque Nationale de Paris)
Deutsche Girozentrale Deut. Kommunalbank	FF 500	1996	8%	101 1/4	99.90	Noncallable. Fees 18%. Denominations 10,000 French francs. (Credit Lyonnais)
Morgan Guaranty Trust (London)	m. 100,000	1994	12%	101 1/4	100.47	Noncallable. Fees 19%. Denominations 5 million. (Banque di Roma)
Commonwealth Bank of Australia	ECU 100	1994	8%	101 1/4	99.725	Noncallable. Fees 19%. (Credit Suisse First Boston)
Eurofimo	ECU 125	1999	8%	101 1/4	99.90	Noncallable. Fees 2%. (Bankers Trust Int'l)
Abbey National Treasury Services	£150	1994	10%	101 1/4	101.62	Noncallable. Fees 19%. (Merrill Lynch Int'l)
Esportfinans A/S	£150	1994	10%	101 1/4	99.875	Noncallable. Fees 19%. (Bull Int'l)
Toronto-Dominion Bank (Cayman Islands)	£100	1992	10%	101 1/4	99.925	Noncallable. Fees 19%. (JBS-Phillips & Drew)
Dresdner Bank Berlin AG	Aus 40	1993	15	102	101.50	Noncallable. Fees 19%. (Dresdner Bank Luxembourg)
Fujitsu International Management	¥10,000	1995	6	101 3/4	—	Noncallable. Fees 19%. (Nomura Int'l)
Sapporo Finance Int'l	¥10,000	1995	6	101 3/4	—	Noncallable. Redemption in U.S. dollars at a fixed rate of 135.00 yen per U.S. dollar. Fees 19%. Denominations 100 million. (Nomura Int'l)
EQUITY-LINKED						
Daicel Chemical Industries & Co.	\$300	1993	open	100	106.00	Coupon indicated at 44%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium. Terms to be set Aug. 1st. Fees 24%. (Nomura Int'l)
Daio Paper Co.	\$150	1993	open	100	104.50	Coupon indicated at 44%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium. Terms to be set Aug. 3rd. Fees 24%. (Yamichi Int'l Europe)
JDC Corp.	\$100	1993	open	100	107.00	Coupon indicated at 44%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium. Terms to be set Aug. 7th. Fees 24%. (Nikko Securities Co. Europe)
Joshin Denka Co.	\$100	1993	open	100	106.00	Coupon indicated at 44%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium. Terms to be set Aug. 2nd. Fees 24%. (Nomura Int'l)
Kabuto	\$300	1993	open	100	106.00	Coupon indicated at 44%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium. Terms to be set Aug. 2nd. Fees 24%. (Nomura Int'l)
Nippon Stainless Steel Co.	\$100	1993	open	100	106.00	Coupon indicated at 44%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium. Terms to be set Aug. 2nd. Fees 24%. (Yamichi Int'l Europe)
Parco Co.	\$120	1993	3%	100	—	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at 25% per share. Fees 24%. (Daiva Europe)
Sanyo Aluminium Industry	\$150	1993	open	100	107.00	Coupon indicated at 44%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium. Terms to be set Aug. 2nd. Fees 24%. (Daiva Europe)
Tsumura & Co.	\$100	1993	open	100	105.00	Coupon indicated at 44%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium. Terms to be set Aug. 3rd. Fees 24%. (Nikko Securities Co. Europe)
Daio Paper Co.	DM 100	1994	open	100	101.00	Coupon indicated at 19%. Noncallable. Each 5,000-mark note carries two warrants exercisable into company's shares at an expected 25% premium. Fees 24%. Terms to be set Aug. 3rd. (Deutsche Bank AG)
Tsumura & Co.	DM 100	1994	open	100	98.70	Coupon indicated at 19%. Noncallable. Each 5,000-mark note carries two warrants exercisable into company's shares at an expected 25% premium. Fees 24%. Terms to be set Aug. 3rd. (Deutsche Bank AG)

Bonds Soar as Fed Moves to Ease Interest Rates

When the yield was 8.15 percent, the 10-year note fell to 7.85 percent from 8.05 percent.

Other interest rates also slid as investors in Treasury issues cast aside their usual pre-weekend caution.

The yield on the bellwether 30-year Treasury bond fell below 8 percent, closing at 7.99 percent. The price of the issue, the 8% of 2019, rose nearly 2 points, to 109 31/32 from 108 the previous week.

What prompted the buying was a

desire to lock in current yields before the Federal Reserve acts aggressively to lower them further.

In another move toward lower interest rates, the Bank of America cut its prime lending rate to 10.5 percent, effective on Monday, from 11 percent.

Bank of America thus joined Chase Manhattan and a few other major banks that reduced their prime rate to 10.5 percent more than three weeks ago.

While the fixed-income market does not expect any overt action by the Fed to cut interest rates until the July employment statistics are released next Friday, the clear fact is that the Fed has been easing," said William V. Sullivan Jr., senior vice president at Dean Witter Reynolds Inc.

Indeed, the federal funds rate fell to 8.938 percent from 9.125 percent the previous week. Fed funds, changed on overnight interbank loans is considered the base rate in the taxable U.S. credit markets.

The Federal Reserve influences this rate through open-market sales or purchases of Treasury securities.

The bond market rally came on news that was gloomy for the rest of the economy. Fixed-income securities rose on signs of economic weakness because it reduces the demand for credit as well as inflationary pressures, thus preventing interest rates from rising and eroding the value of outstanding debt issues.

For example, the government reported on Friday that personal consumption edged down in June for the second straight month while personal income rose three-tenths of 1 percent. Because consumer spending accounts for about two-thirds of the gross national product, the number was viewed as a sign the economy was weakening.

On Thursday, the government reported that the gross national product in the second quarter rose at an annual rate of only 1.7 percent, less than half the growth in the first three months of 1989.

Analysts said the bond rally could continue if inflation fears continue to abate and the Fed shows signs of further easing.

"The rally has substantially furthered to go," said Philip Braverman, chief economist at Irving Securities in New York. "Bond yields should drop to 7 percent to 7.5 percent by year-end," Mr. Braverman said.

The economy is deteriorating to the brink of recession. Inflation fears will recede.

"And the Fed will ease further, perhaps at a quickening pace, with an 8.5 percent funds rate probable before summer ends," he said.

Economists are adjusting their views to the newly aggressive Fed. Some said the central bank could ease credit again if U.S. employment data for July are considerably weaker than had been forecast.

The report is due out Friday.

The central bank, analysts said, has switched from a body of slow-moving gradualists to a group that will respond to broad trends in economic indicators.

"I think they've realized the economy has slowed much more quickly than they or anyone else had realized," said Allan Leslie, vice president at Discount Corp. of New York.

Nancy Vanden Houten, money market economist at Merrill Lynch

Government Securities Inc., noted the Fed's last two easing moves have come before major economic data, the Consumer Price Index and the jobs report.

"They may want to be viewed as having a broad plan to bring down the funds rate and not as alarmists reacting to any particular number," she said.

Economists said the Fed may have opted for a two-step easing at its last Federal Open Market Committee meeting and may opt for the same sort of easing at its Aug. 22 session. The FOMC, which sets the system's policy, comprises the seven Fed governors and presidents of five of the 12 Federal Reserve banks.

A cut in the 7 percent discount rate, which the Fed charges on loans it makes to banks, is not being discussed yet, economists said. They said the rate probably would not be moved until the central bank chose to make a dramatic statement of policy, something not expected soon.

"The discount rate is not a fundamental rate, as the funds rate is," said Mr. Leslie of Discount Corp. "It's not a symbol, and it is being used as a signal of policy."

On Tuesday, the U.S. government is to report on construction spending, expected to show a 0.3 percent June fall after a rise of 1.3 percent the previous month. June factory orders are to follow on Wednesday, expected to show a rise of 0.4 percent after dropping 2.5 percent in May. June leading indicators are scheduled to be released on Thursday, and they are expected to have fallen 0.2 percent, following a 1.2 percent plummet in May.

The July jobs report due Friday is expected to show nonfarm payrolls rising by 175,000 and an unchanged jobless rate of 5.3 percent. June nonfarm payrolls rose 180,000.

(Reuters, NYT, UPI)

Treasury Bonds

Maturity	Yield	Ask	Yield	Ask
31.07.91	100.00	100.00	7.56	7.59
31.05.92	103.00	103.00	7.60	7.59
31.01.93	101.00	101.00	7.59	7.58
31.07.94	102.00	102.00	7.61	7.58
31.01.96	100.00	100.00	7.71	7.56
31.07.98	118.00	118.00	8.02	8.01
31.01.00	112.00	112.00	8.02	8.21
31.07.02	109.00	110	7.99	8.15

Source: Salomon Inc.

U.S. Consumer Rates

Year	Month	Rate
1989	July	6.95 %
1989	June	6.95 %
1989	May	6.95 %
1989	April	6.95 %
1989	March	6.95 %
1989	February	6.95 %
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1972	August	6.95 %
1972	July	6.95 %
1972	June	6.95 %
1972	May	6.95 %
1972	April	6.95 %
1972	March	6.95 %
1972	February	6.95 %
1972	January	6.95 %
1971	December	6.9

NASDAQ National Market

OTC Consolidated trading for week ended Friday, July 28

Sales in 100s High Low Close Chg										Sales in 100s High Low Close Chg										Sales in 100s High Low Close Chg										Sales in 100s High Low Close Chg										Sales in 100s High Low Close Chg																			
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MONDAY SPORTS

Senna Wins in West Germany With a Swerve Around Prost

The Associated Press
HOCKENHEIM, West Germany — Ayrton Senna won the German Grand Prix on Sunday, roaring across the finish line ahead of his McLaren-Honda teammate, Alain Prost. The Brazilian pulled off a surprise victory by passing Prost with two laps to go.

Senna finished the race in one hour, 21 minutes, 43.302 seconds, 18.151 seconds ahead of Prost. (See Scoreboard)

Nigel Mansell of Great Britain finished third in his Ferrari, a lap behind.

Senna's victory helped close the gap between him and Prost in the world standings. Prost leads with 53 points, followed by Senna's 36.

Senna, the defending world champion, started out at the pole position. Gerhard Berger's Ferrari catapulted into the lead from the No. 4 spot moments after the green light.

But Senna and Prost quickly caught him before the first lap was over, leaving the Austrian in third and Mansell in fourth.

Berger, Mansell and Italy's Alessandro Nannini kept up the pressure on Senna and Prost in the early laps.

Nannini looked like he was about to challenge the leaders in the fifth lap, but his Benetton-Ford dropped out with electronics problems.

After 10 laps, Prost was closely tailing Senna, while Berger and Mansell were about six seconds behind the leaders, trailed by Italy's Emanuele Pirro in a Benetton-Ford.

Berger looked like he was set to remain a strong contender. But in the 13th lap, his Ferrari went out of control because of a tire defect and skidded off the track, barely avoiding a crash with Mansell.

Later in the race, Pirro's car also spun out of control and rammed through safety barriers. The Italian had to be taken out of his machine and loaded aboard an ambulance, but track officials said he was only suffering from shock and had no serious injuries.

Prost took the lead from Senna a little more than halfway through the race after both made lengthy pit stops for tire changes.

The Frenchman at one point held a four-second lead over Senna, but the Brazilian whittled down the gap between the two red-and-white McLarens and passed his teammate with two laps to go.

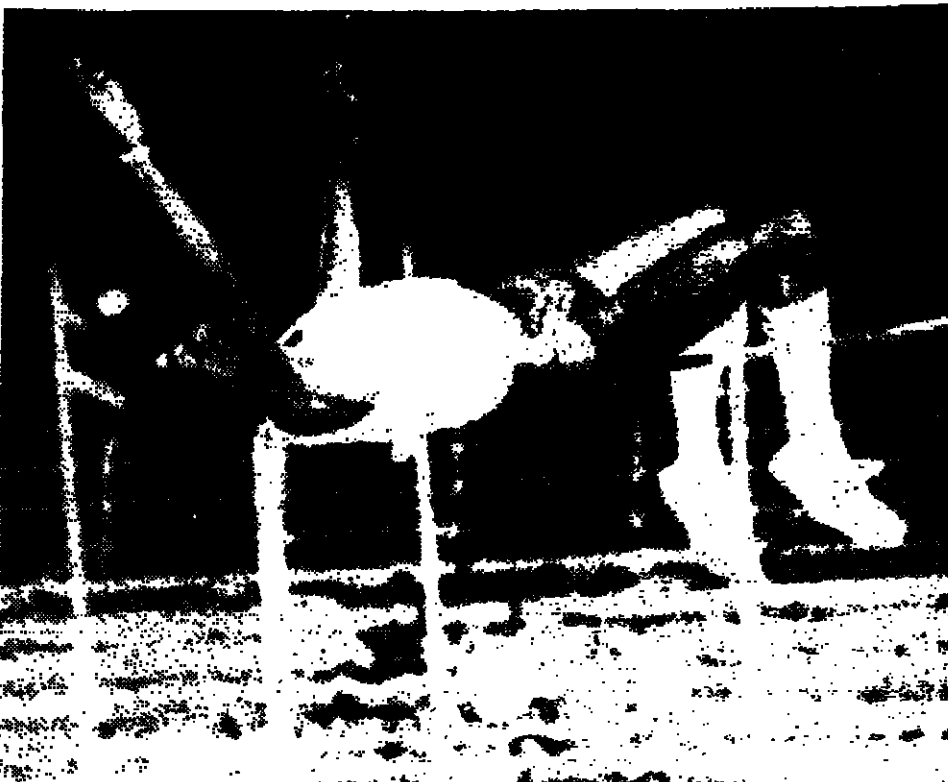
McLaren-Honda officials said after the race that Prost at that point had lost his top gear.

Senna went into Sunday's Hockenheim race hoping to shake off some bad luck. He led for the first 11 laps in the British Grand Prix two weeks ago but spun off the track on the 12th and was not able to continue. Prost went on to win that race, trailed by Mansell.

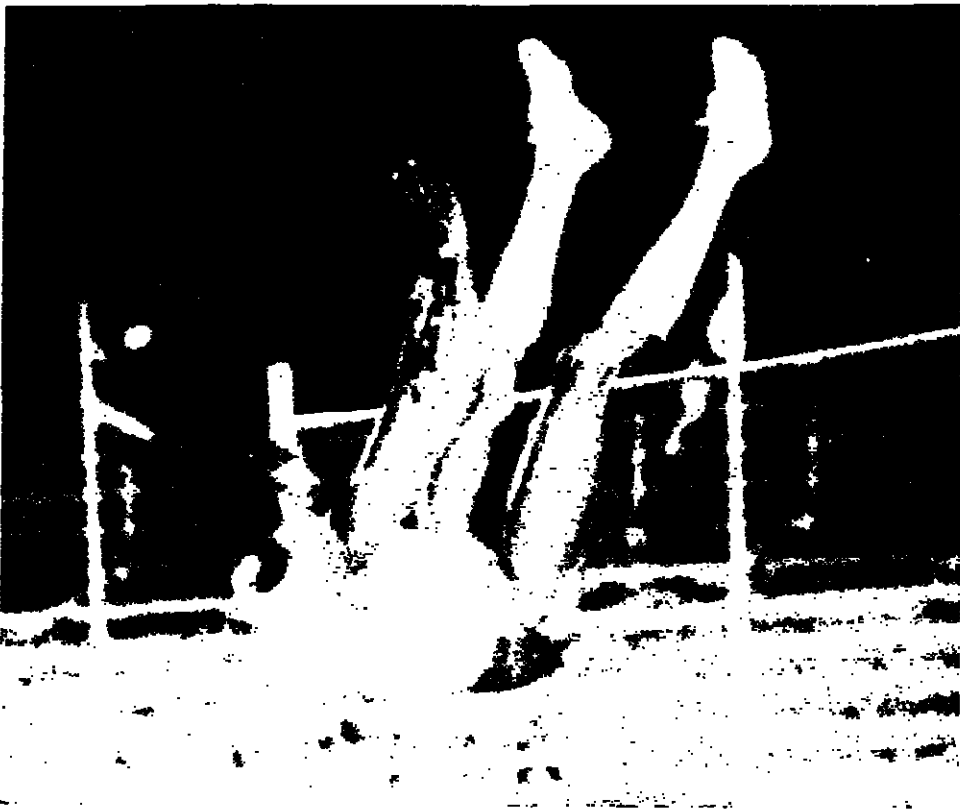
Senna had won three of this year's opening four races.

Prost, known as "The Professor" for his technical skills and calm resolve, has been victorious three times this season including back-to-back victories at the British and French Grand Prix races.

A High Jump Record: 8 Feet



Javier Sotomayor is over the beam in Puerto Rico Saturday at the Caribbean Championships.



Sotomayor of Cuba Tops His World Mark

The Associated Press
SAN JUAN, Puerto Rico — Javier Sotomayor of Cuba has become the first person to high jump 8 feet (2.44 meters), breaking his own world record at the Caribbean Championships.

"It is a fantastic feat because I am the first man in jumping eight feet," said Sotomayor, 21. "And that is fabulous."

Sotomayor set the previous record of 7 feet, 11 1/2 inches in 1988 in Salamanca, Spain. The previous outdoor world record of 7 feet, 11 inches was set by Patrik Sjöberg of Sweden in Stockholm on June 6, 1987.

Sotomayor also holds the indoor mark, at 7 feet, 11 1/2 inches.

He made the historic jump Saturday in his second attempt. In his first attempt, Sotomayor tried at 8 feet but he touched the beam with his left leg.

Sotomayor did not have a shot at a gold medal at the 1988 Summer Olympics in Seoul because Cuba boycotted the Games. The 6-foot-4 (1.93-meter) Cuban said he was not disappointed about not being able to compete in the Seoul Olympics and added that he was looking forward to 1992 Games in Barcelona.

Reaching the 8-foot barrier is a significant mark in track and field.

In the men's high jump, the record metrically is now 2.44, exactly 8 feet, but for Europeans, a more significant height would be 2.45, since Europeans recognize increases of five centimeters.

"Every time you go up five centimeters, it's important," said Jimmy Howard, the former American record holder. "When someone clears 2.50, it will be phenomenal."

SIDELINES

Olazabal Wins Dutch Golf Marathon

ZANDVOORT, Netherlands (AP) — Jose Maria Olazabal of Spain braved a nine-hole sudden death playoff in driving rain to win the 1989 Dutch Open Golf Championship.

Second in the \$498,000 tournament was Roman Rafferty of Ireland, with Roger Chapman of England third.

After Sunday's fourth round, Olazabal, Rafferty and Chapman shared a three-under 277 and began their playoff on the 473 yard, par-4 16th hole at the Kemmer Golf and Country Club here.

Chapman saw his dream ended right there by a bogey, but for Olazabal and Rafferty the ordeal continued along the par-3 17th and par-4 18th. Both players scored five bogeys as the fight went on, but the third time around, Rafferty struck a three-over 7 on the 18th, with Olazabal needing only six.

Japanese Yacht Captures Cup Stage

COWES, England (Reuters) — Rangi Oda's 50-foot yacht will win the Admiral's Cup 200-mile English Channel race on Sunday to record Japan's first victory in the regatta.

Britain took the lead in the overall standings after two races, 24.5 points ahead of France, with the British yacht Jamarilla finishing third in the race and Indulgence eighth.

Will, whose crew sailed together for the first time 10 days before the start of the six-race series, led throughout. Denmark's Andiesbanken was second. Denmark raised their overall position from 10th to fourth, 29 points behind Britain.

Agassi Stops Lendl in Exhibition

TOKYO (AP) — Andre Agassi beat Ivan Lendl, 7-6 (8-6), 6-4, on Sunday in the final of the ANA Cup and picked up \$220,000, the richest winner's purse ever in a tournament in Japan.

Stefan Edberg defeated fellow Swede Mats Wilander, 6-4, 3-6, 7-6 (4-2), on an artificial court at Yokohama Arena and won the third prize. The exhibition was sponsored by ANA, All Nippon Airways, to mark the inauguration of its European routes.

Italy Moves Against Soccer Violence

ROME (AP) — Italy's soccer federation has approved a series of measures to combat hooliganism, making teams directly responsible for violence committed by their fans.

Under the package approved by the federation Saturday night, clubs can be punished for violence committed outside the stadiums as well as inside. In the most serious cases, a team can be suspended from playing on its home field for at least two matches. Those matches would be rescheduled at a neutral site, including an empty stadium if necessary.

To discourage violence, teams will be required to issue identity cards with photographs to all members of organized fan clubs. The fan clubs will be banned from using names, symbols or publications inciting violence. Teams can face fines ranging from 25 million lire (\$18,000) to 50 million lire (\$37,000) for failing to control the fan clubs.

Mets Chief Has Doubts on Hernandez

NEW YORK (AP) — Manager Davey Johnson says injuries to Keith Hernandez the last two seasons may signal the end of the first baseman's career with the New York Mets.

Hernandez, 35, missed two months last season with a pulled hamstring and broke his kneecap in May this year, forcing him out of the lineup for another two months. When Hernandez returned, he bruised his knee sliding at home plate and has missed 10 days.

"As much as you hate to think about life without Keith, this is the second year he's been injured and we're paying him a lot of money," Johnson was quoted as saying in Sunday's editions of the New York Daily News. "It doesn't take a mental giant to see we've got two first basemen right now, and that we're crowded in the infield," Johnson said. The other first basemen is Dave Magadan.

For the Record

The sprinter Ben Johnson, born in Jamaica, says he would like to compete for Jamaica after the conclusion of his two-year ban from the Olympics for using steroids while on the Canadian Olympic team. The Jamaica Record newspaper reported Saturday. However, Teddy McCook, president of the Jamaica Athletic Association, has said that no athlete found guilty of using banned substances will be allowed to compete in Jamaican colors. (Reuters)

Ireland's Sean Kelly took the lead in the World Cup cycling standings on Sunday after finishing third in the Wincanton Classic at Newcastle-Upon-Tyne, England. Dutchman Frans Maassen won the race in five hours, 59 minutes, 21 seconds, two seconds ahead of Maurizio Fondriest of Italy in the 236-kilometer (147-mile) race, the sixth round of the cup series. Kelly was third. (Reuters)

Arsenal warmed up for the defense of its English league soccer title Sunday by winning a four-team international exhibition tournament in London with a 1-0 victory over domestic rival Liverpool. The Soviet Union defeated Portugal, 1-0, in the other match. (AP)

Jim Valvano, basketball coach at North Carolina State University, is not contemplating a lawsuit against the author or publisher of "Personals Fools," a book containing allegations of corruption in the Wolfpack program, Valvano's attorney, Art Kaminsky, says. The book was dropped by Simon & Schuster but was later printed by Carroll & Graf. (AP)

New Zealander Bob Charles won the British Open Senior golf tournament Sunday at Turnberry, Scotland, with an 11-under-par 269. (AP)

A Wealth of Quarterbacks

Walsh Signs With Cowboys to Vie for Starting Position

The Associated Press
THOUSAND OAKS, California — Steve Walsh has signed a four-year, \$4.1 million contract with the Dallas Cowboys and joined another millionaire, Troy Aikman, in a battle for the starting quarterback job.

"I believe now the Cowboys really want me to compete for the job," said Walsh, who lost but once in two years starting for the University of Miami Hurricanes.

"I want to do whatever it takes to help this team and this organization. I want to start if I can."

He could be traded to any National Football League team this year but can negotiate a trade to any four teams he selects next season.

Walsh, who received a \$900,000 bonus to sign, was passed over by Atlanta in the supplemental draft. The Cowboys jumped at a chance to take him, although they had paid Aikman \$11 million.



Steve Walsh
 "I'll give it my best shot and I have confidence in the coach's decision," said Walsh, who played for the Cowboys' coach, Jimmy Johnson.

son, when both were at Miami. "I'm not worried about a trade. I played under Coach Johnson and I know he wants the best guy to do the job."

Johnson reiterated on Saturday that Walsh was not on the trading block.

"We have no intentions of trading Steve," Johnson said. "He'll be splitting equal time with Troy. Both of them will be getting plenty of work. We think both of them will become better players because of the competition."

The owner, Jerry Jones, said if the Cowboys ever traded Walsh "we could get half a football team for him. He's that outstanding."

Walsh will be competing for playing time with Aikman, Babe Laufenberg and Scott Secules.

"I'll push myself hard to catch up," Walsh said.

Yugoslav Star, an NBA Hopeful, Sues Spanish Team for His Release

Compiled by Our Staff From Dispatches
PORTLAND, Oregon — Drazen Petrovic, a Yugoslav basketball star sought by the Portland Trail Blazers, is suing for his release and \$10 million in damages from a Spanish professional team.

The suit, filed Friday in Multnomah County Circuit Court here, seeks an injunction ordering Club Real Madrid and the league to which it belongs, Association de Clubs de Baloncesto, to "cease their interference with plaintiff's prospective negotiations with the Trail Blazers."

Petrovic, 25, was selected by the Trail Blazers in the June 1986 National Basketball Association draft. He played for the Yugoslav national team for several years and last season played in the Spanish league, where he signed a four-year contract. After one season, however, Petrovic wanted to play in the NBA.

He said he believed he had a buyout clause in his contract, but the suit said Real Madrid, in correspondence with the NBA in June, had denied the existence of the provision.

The NBA and Spanish league have an agreement to honor each other's contracts.

The Trail Blazers have been threatened with a fine if they negotiate with Petrovic. However, a court verdict in Petrovic's favor would clear the way for the Blazers to step in and sign him.

The Trail Blazers are not being asked for damages but have been made a co-defendant because they have not been able to negotiate with Petrovic.

"Although the Portland Trail Blazers have a significant interest in the outcome of the case, this is primarily between Drazen Petrovic and his current Spanish team," said Kenneth Roberts Jr., general counsel for the Blazers. "We will study the matter and file a response in due course."

Nicholas I. Goyak and Kevin O'Connell, Portland attorneys, filed the suit, which seeks a \$5 million judgment against the Spanish team and \$5 million in punitive damages. (AP, UPI)

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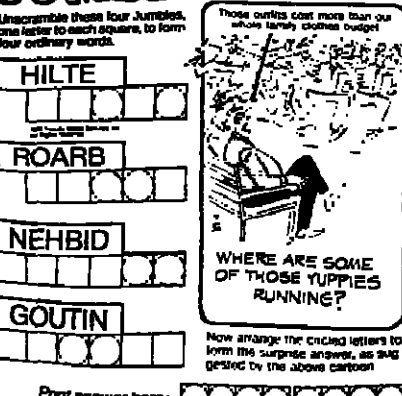
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DENNIS THE MENACE



"I've gotta run next door so Mr. Wilson can set his clock by me!"

JUMBLE



PERSONAL INVESTING

IN THE 11TH SECOND MONDAY OF EACH MONTH, EDITED FOR THE SOPHISTICATED INVESTOR — AN ESSENTIAL GUIDE TO OPPORTUNITIES AND PITFALLS — WORLDWIDE

PEANUTS



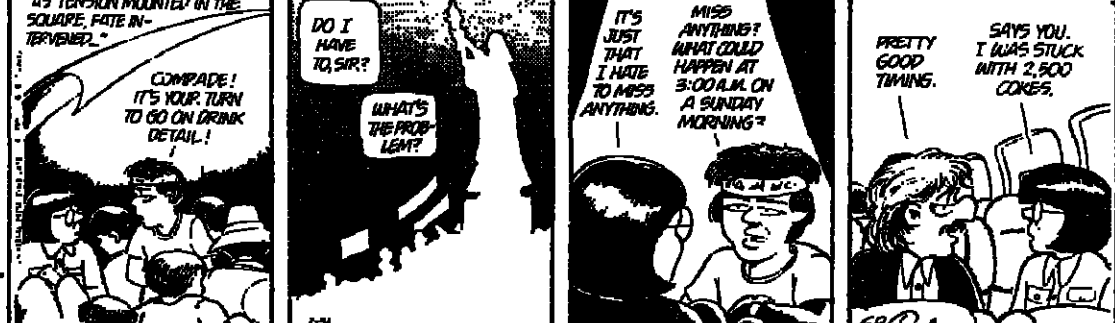
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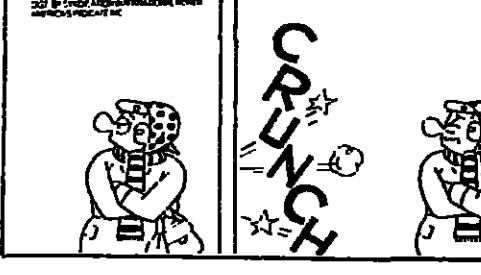
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DOONESBURY



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WIZARD OF ID



REX MORGAN



GARFIELD



SCOREBOARD

Major League Baseball

Boxing

Baseball

Baseball

Baseball

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